



**OFFICE OF  
INSPECTOR GENERAL**  
UNITED STATES POSTAL SERVICE

CANADA

**North Dakota  
Postal Service  
Operations**

**NORTH DAKOTA**

**★NOW★  
HIRING**



**Audit Report**

Report Number  
DR-AR-15-004

March 31, 2015

SOUTH DAKOTA

MIN



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

## Highlights

***The Postal Service did not have an established contingency plan to address rapid changes in the population growth and staff turnover.***

### Background

North Dakota has experienced the nation's fastest-growing population, growing 7.6 percent since 2010 compared to 2.4 percent nationally. The state's jobless rate was the lowest in the nation (2.8 percent) in July 2014. This is due to significant employment opportunities resulting from the oil boom in the Bakken Shale formation in western North Dakota. However, beginning in November 2014, a plunge in oil prices has resulted in the elimination of thousands of oil-related jobs and slowed growth trends previously experienced in North Dakota.

The state's population growth has created a 14 percent increase in U.S. Postal Service delivery points and a 165 percent increase in package deliveries in the last 4 years. During that same time, delivery points nationally increased 1 percent and packages 21 percent. The state has four mail processing sites that sort and distribute mail for 333 post offices. In FY 2014, these four sites processed 678 million mailpieces.

This audit responds to a request from Senator Heidi Heitkamp to review concerns about mail service. Our objective was to assess selected Postal Service operations in North Dakota.

### What The OIG Found

The Postal Service has taken action to improve mail service in North Dakota, such as hiring additional employees, detailing

personnel to supplement the workforce, authorizing overtime, and adding retail units. However, more improvements can be made. Specifically, the Postal Service did not always timely process, deliver, and transport the mail in North Dakota. In addition, it lacked sufficient retail windows to meet demand and some box up-times (the posted time mail is available to the customer at their PO Box), were inaccurate.

These conditions occurred because the Postal Service did not have an established contingency plan to address rapid changes in the population growth and staff turnover. We found that North Dakota's postal facilities lacked adequate mail processing equipment and processing floor space and sufficient delivery staff and retail operations. In addition, Postal Service mail received from FedEx at the Grand Forks, ND airport did not always allow for the timely transport of mail. Additionally, changes in box up-times were not always adequately communicated.

Due to these operational challenges, the Postal Service in North Dakota rarely met national service standards. Furthermore, delivery staff was overworked, with rural carrier overtime increasing by 241 percent between fiscal years (FY) 2011 and 2014. Additionally, carriers returning from their routes after 5 p.m. ranged from a low of 23 percent to a high of 56 percent between FYs 2012 through 2014. Finally, customers experienced excessive wait times at some retail locations.

## What The OIG Recommended

We recommended the district manager, Dakotas District, install additional mail processing equipment, consolidate Fargo operations, develop a contingency plan to address staffing levels during periods of rapid economic growth or retraction and ensure accurate postings of box up-times. We also recommended the vice president, Network Operations, modify the transportation network.

# Transmittal Letter

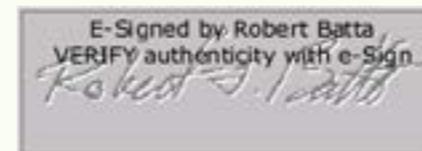


OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

March 31, 2015

**MEMORANDUM FOR:** LINDA M. MALONE  
VICE PRESIDENT, NETWORK OPERATIONS

DARRELL E. STOKE  
DISTRICT MANAGER, DAKOTAS DISTRICT



**FROM:** Robert J. Batta  
Deputy Assistant Inspector General for Mission Operations

**SUBJECT:** Audit Report – North Dakota Postal Service Operations  
(Report Number DR-AR-15-004)

This report presents the results of our audit of North Dakota Postal Service Operations (Project Number 14XG030DR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita F. Oliver, director, Delivery Operations, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

# Table of Contents

Cover	
Highlights.....	1
Background.....	1
What The OIG Found.....	1
What The OIG Recommended .....	2
Transmittal Letter.....	3
Findings.....	5
Introduction .....	5
Conclusion .....	6
Mail Processing.....	6
Delivery Operations .....	7
Transportation.....	9
Customer Services.....	11
Service.....	12
Management Actions .....	15
Recommendations.....	16
Management’s Comments .....	16
Evaluation of Management’s Comments .....	17
Appendices.....	18
Appendix A: Additional Information .....	19
Background .....	19
Operational Analysis.....	20
Objective, Scope, and Methodology.....	21
Prior Audit Coverage .....	21
Appendix B: Summary List of Constituent Concerns.....	22
Appendix C: Carrier Staffing Analyses.....	23
Appendix D: Management’s Comments .....	27
Contact Information .....	30

# Findings

## Introduction

This report presents the results of our audit of North Dakota Postal Service Operations<sup>1</sup> (Project Number 14XG030DR000). Our objective was to assess selected U.S. Postal Service operations in North Dakota. The report responds to a request from Senator Heidi Heitkamp to review concerns about mail service. See [Appendix A](#) for additional information about this audit.

Propelled by a massive oil boom, North Dakota's Bakken region<sup>2</sup> experienced significant increases in population, mail delivery points,<sup>3</sup> rent, wages, and package volume. These changes have stressed North Dakota's existing Postal Service resources and infrastructure (see Figure 1 for percentage growth examples).

**Figure 1. Change in the Bakken Region Between Fiscal Years (FY) 2010 and 2014**



Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

- <sup>1</sup> We reviewed mail processing and transportation operations in Bismarck, Fargo, Grand Forks, and Minot. We observed delivery and retail operations in Bismarck, Devils Lake, Dickinson, Fargo, Grand Forks, Minot, Stanley, and Williston. We also reviewed delivery and retail statistics for select offices in the Bakken region.
- <sup>2</sup> The Bakken Shale oil patch area of western North Dakota includes deliveries for all 3-Digit ZIP Code areas 585 through 588. This includes offices in Bismarck, Dickinson, Minot, and Williston.
- <sup>3</sup> A single mailbox or place to which mail is delivered.

**This report has not yet been reviewed for release under FOIA or the Privacy Act. Distribution should be limited to those within the Postal Service with a need to know.**

***The Postal Service has taken action to improve mail service in North Dakota; however, more improvements can be made.***

In January 2014, Senator Heitkamp launched an online initiative (Fix My Mail) to learn about her constituents' challenges and problems regarding postal services in North Dakota. Based on the responses, the senator identified five areas of concern: new employee training, employee-management communication, working conditions, staffing, and service standards. See [Appendix B](#) for a summary of concerns resulting from the congressional initiative.

## **Conclusion**

The Postal Service has taken action to improve mail service in North Dakota, such as hiring additional employees, detailing personnel to supplement the workforce, authorizing overtime, and adding retail units. However, more improvements can be made. Specifically, the Postal Service did not always timely process, deliver, and transport the mail in North Dakota. In addition, it lacked sufficient retail windows to meet demand and some box up-times — the posted time mail is available to the customer at their Post Office (PO) Box — were inaccurate.

These conditions occurred because the Postal Service did not have an established contingency plan to address rapid changes in the population growth and staff turnover. We found that North Dakota's postal facilities lacked adequate mail processing equipment and processing floor space, and sufficient delivery staff and retail operations. In addition, Postal Service mail received from FedEx at the Grand Forks, ND, airport did not always allow for the timely transport of mail. Additionally changes in box up-times were not always adequately communicated.

Due to these operational challenges, the Postal Service in North Dakota rarely met service standards. Furthermore, delivery staff was overworked, with rural carrier overtime increasing by 241 percent between FY 2011 and FY 2014. Additionally, carriers returning from their routes after 5 p.m. ranged from a low of 23 percent to a high of 56 percent between FYs 2012 and 2014. Finally, customers experienced excessive wait times at some retail locations.

## **Mail Processing**

Of the four processing sites in North Dakota, the two largest — the Fargo and Bismarck Processing and Distribution Centers (P&DC)<sup>4</sup> — did not always process mail timely, although improvements have been made. Delays in mail processing were caused primarily by inadequate mail processing equipment at both P&DCs and lack of floor space at the Fargo P&DC. The processing sites in North Dakota have limited automated processing and none have automated package sorting equipment.

The Postal Service significantly reduced the percentage of total volume that was delayed at the Fargo and Bismarck P&DCs in FY 2014. The Fargo P&DC reduced its delayed mail in FY 2014 to 3 percent, compared to 10 percent in FY 2013. The Bismarck P&DC had a steady improvement and was below the national average in FY 2014 (see [Table 1](#)).

---

<sup>4</sup> Delayed mail data was not available for Minot and Grand Forks.

**Table 1. Delayed Mail<sup>5</sup> Comparison**

	Fargo			Bismarck		
	FY 2012	FY 2013	FY 2014	FY 2012	FY 2013	FY 2014
Delayed Mail	20,082,634	38,197,334	10,875,654	8,561,879	4,250,798	1,196,291
FHP Volume	377,071,593	378,291,092	356,648,598	128,214,013	133,063,284	127,777,845
Percent Delayed to FHP	5%	10%	3%	7%	3%	1%
National Percent Delayed	0.3%	1.0%	1.4%	0.3%	1.0%	1.4%

Source: Enterprise Data Warehouse (EDW) Mail Condition Reporting System (MCRS).

Mail processing sites must report delayed mail according to Postal Service guidelines.<sup>6</sup> While delays at the processing site can hinder timely delivery, not all mail reported as delayed during processing results in delayed mail delivery.

We also found floor space constraints at the Fargo P&DC, which uses two locations to process the mail, requiring the shuttling of mail between the two sites. Furthermore, operations at the Fargo P&DC are crowded and delivery point sequencing<sup>7</sup> mail for surrounding offices has to be processed in the basement and transported by elevator to the loading docks before being dispatched for delivery.

Both of the Fargo processing sites have leases that expire in February 2015. The expiration of these leases provides the opportunity for the Postal Service to consolidate mail processing operations in Fargo that are 6 miles apart. Western Area officials are actively searching for a replacement annex in Fargo to accommodate all flat mail operations from the Fargo P&DC. District officials stated that their goal is to improve efficiency by consolidating all Fargo processing operations into one building and optimizing resources.

## Delivery Operations

The Postal Service could not always timely deliver its mail volume because of insufficient staffing. This occurred because the Postal Service did not have an established contingency plan to address rapid changes in the population growth and staff turnover.

Between FY 2011 and FY 2014, delivery points in the Bakken region increased by 14 percent (about 21,000 deliveries) as opposed to the national increase of just 1 percent. Total package deliveries increased by 165 percent (2,348,350 mailpieces) in this region, while package growth nationally averaged 21 percent (see [Table 5](#)).

<sup>5</sup> Includes mail reported in the “Delayed Processing” and “Standard Mail Delayed Mail Flow” categories.

<sup>6</sup> The web Mail Condition Reporting System requires that all delayed volume categories be counted. Failure to report all required volumes constitutes falsification of official records.

<sup>7</sup> The arrangement of mail into delivery order using the delivery point code and other data elements.

Adding to the delivery challenges, the Postal Service had difficulty hiring and retaining employees. In April 2014, the Postal Service had 54 rural carrier and 15 city carrier vacancies at the units we visited. We reviewed carrier retention from October 2011 to September 2014 at the Williston, Dickinson, and Minot post offices, where management hired 77 carriers and transitional employees.<sup>8</sup> As of August 2014, only 35 of the 77 carriers (45 percent) continued to work for the Postal Service.<sup>9</sup> Management stated that all new carriers receive standardized training to perform their duties. Difficulty in hiring and retaining employees resulted in insufficient staffing at all of the post offices we visited. See [Appendix C](#) for city and rural carrier staffing analyses.

Moreover, limited benefits, challenging working conditions (such as volatile weather, physical labor, and strenuous workhours), and higher competing wages resulted in low retention rates for carriers. Employers in the energy field and retail and food services offer higher pay, incentives, and housing stipends. Employers in the retail and food services offer comparable pay for entry level positions without the challenging working conditions. Pay rates at the Postal Service start at \$16.92 per hour for a city carrier, compared to \$16.00 and \$17.40 an hour for entry-level positions in food and retail services. According to Postal Service management, employee wage and benefit packages, which are established through union negotiations, are not always competitive with other employers in the area.

In FY 2014, rural carrier overtime increased by 241 percent from FY 2011, significantly exceeding the national 105 percent increase. High use of overtime indicates many carriers are being overworked. Senator Heitkamp's office received complaints from employees working 12-hour shifts with no days off. In addition to using overtime to address the carrier shortages, management began detailing<sup>10</sup> employees into the region. In FY 2014, there were 99 detail assignments to fill vacant carrier positions in the Bakken region. As a result of these carrier shortages, mail is not always being delivered timely and carriers are returning to their units after 5 p.m.

Carriers returning from their routes after 5 p.m. ranged from a low of 23 percent to a high of 56 percent between FYs 2012 and 2014 (see [Figure 2](#)).

---

8 Non-career bargaining unit employees used in accordance with the terms of their respective collective bargaining agreements. The Postal Service phased out this employee category in April 2013.

9 Thirty-six (47 percent) resigned and six (8 percent) were terminated.

10 A detail is a temporary assignment to perform duties other than those in an employee's official job description. Detailed employees performed in a unit other than their permanent unit.

**Figure 2. Carriers Returning After 5 P.M. in the Bakken Region**



Source: EDW.

## Transportation

Transportation operations did not provide timely delivery of mail to selected areas of the state. Specifically, mail tendered at the Grand Forks airport undergoes additional handlings, exposure to the elements, and extended transportation times before it arrives in Bismarck and Fargo.

Transportation operations had delays throughout the state in First-Class Mail® (FCM) and Priority Mail® services. Current FCM and Priority Mail transportation depends on timely arrival of the contracted FedEx service and associated Terminal Handling Service (THS)<sup>11</sup> and alternate method of transportation (AMOT) suppliers. Under the existing process, FedEx<sup>12</sup> tenders destinating mail<sup>13</sup> for the Postal Service to the THS provider at the Grand Forks airport. The mail is then separated and routed to the Bismarck and Fargo sites, which are over 1 hour away.

<sup>11</sup> According to the Postal Service, THS providers prepare mail for air transportation. After accepting mail from the Postal Service, THS providers containerize it and provide ancillary services, and then tender it to aviation suppliers to be transported.

<sup>12</sup> The Postal Service partners with FedEx to fly some mail via the Fed Ex air transportation network.

<sup>13</sup> Mail arriving for its point of final delivery (destination) through a processing facility.

## Bismarck

- Mail routed to the Bismarck P&DC is flown from the Grand Forks THS via two AMOT planes (see Figure 3).

**Figure 3. AMOT Planes Destined for Bismarck**



Source: OIG photograph taken June 13, 2014.

- Any overflow mail that does not fit on the AMOT planes is transported by truck through Fargo and then to the Bismarck P&DC.
- Mail destined for the Minot and Williston areas is sorted at the Bismarck P&DC and transported by truck to Minot for processing and dispatch.

## Fargo

Mail routed to the Fargo P&DC is transported by truck to the Fargo Annex for processing or cross-docked<sup>14</sup> to the Fargo P&DC.

The Postal Service could transport more mail via truck and save time and costs if it modified its existing transportation [REDACTED] [REDACTED]. The Postal Service estimates it could save about [REDACTED] million (over 10 years) by having [REDACTED].

<sup>14</sup> A dock transfer entails transporting mail that will not be processed at the facility directly between vehicles.

## Customer Services

North Dakota did not have enough retail windows to meet the increased demand for services caused by population growth and some box up-times<sup>15</sup> were inaccurately posted.

Based on our observations, wait time in line (WTIL) exceeded the established 5-minute goal at three of the nine units we visited<sup>16</sup> even though all retail counters were fully staffed. The Fargo Prairiewood Station had the most instances of excessive wait times.

We also observed incorrect box up-times at two of the nine offices we visited. For example, the Stanley PO had 11 a.m. posted in the lobby, when 12:30 p.m. was the correct time. Posted signs at the Fargo Prairiewood Station showed 11 a.m. as the box up-time, but the actual time was 12 p.m. (see Figure 4).

**Figure 4. Fargo Prairiewood Station Sign**



Source: OIG photograph taken July 8, 2014.

Additionally, the Williston Main PO and Badlands Station did not have any box up-time signs posted in the lobby. Late box up-times was one of the concerns Senator Heitkamp's initiative identified. Failure to accurately post box up-times or changing box up-times causes customer dissatisfaction. One customer interviewed during our site visits stated that box up-times had become so late they were considering closing their PO Box, since they received free mail delivery at roughly the same time the mail was being deposited to their paid PO Box.

Each PO Box unit has a scheduled box up-time for mail to be finalized and available to customers. The time is based on variables such as mail arrival time, average mail volume per trip, and staffing availability. The box up-times are required to be posted in the retail lobby as notification for customers and in the box distribution area as notification for employees working the mail.<sup>17</sup>

<sup>15</sup> Retail Standardization requirements state that "PO Box mail pick-up times and PO Box rates must be listed correctly using Postal-approved signage."

<sup>16</sup> "Service in 5 Minutes or Less" is an initiative to provide a level of service that keeps customer wait time to a minimum while providing quality customer service.

<sup>17</sup> *Postal Operations Manual*, Issue 9, Section, 141.423, PO Box Service Up-Time.

The box up-time issue occurred because of inadequate management oversight and frequently changing times (see [Table 4](#)). According to management, they did not ensure accurate box up-time postings because they had other, higher priorities. Long wait times for services and inaccurate signage can directly influence customer satisfaction, impacting customers' willingness to revisit the post office and possibly leading to loss of revenue.

## Service

Mail service in North Dakota did not consistently meet national service performance targets, as was the case nationwide. There is no single root cause for the decline in mail service, but a multitude of issues, such as the state's increasing consumer demand, inadequate processing operations, transportation delays, insufficient staffing, hiring, training and replacement (due to turnover) of new/substitute employees, and adverse weather conditions.<sup>18</sup> To confirm service performance, we reviewed External First-Class (EXFC) and Priority Mail performance results.

Our analysis of customer service performance, as measured by the EXFC measurement system,<sup>19</sup> showed that Bismarck was the only site to meet the Overnight target in FY 2014. None of the four North Dakota sites met the 2-Day or 3-Day target in FY 2014 (see [Table 2](#)).

---

<sup>18</sup> North Dakota suffers extreme temperatures and unpredictable weather patterns. The variation between North Dakota's highest and lowest temperature is the third largest variation of any U.S. state. Weather variability also affects year-to-year comparisons.

<sup>19</sup> Test an independent contractor performs to measure service performance for First-Class Mail (letters, flats, and postcards) from mail collection to final delivery.

**Table 2. EXFC Performance Scores FYs 2012 Through 2014**

Standard	Site	FY 2012	FY 2013	FY 2014 <sup>19</sup>
Overnight	Bismarck	96.29	97.72	97.15
	Fargo	97.26	95.66	96.37
	Grand Forks	95.60	97.04	96.12
	Minot	93.16	91.93	90.43
	National	96.60	96.27	96.08
	<b>Target</b>	<b>96.65</b>	<b>96.70</b>	<b>96.80</b>
2-Day	Bismarck	93.22	92.56	93.12
	Fargo	95.81	94.32	94.54
	Grand Forks	94.82	94.24	94.75
	Minot	92.55	90.34	90.44
	National	94.97	95.34	94.99
	<b>Target</b>	<b>94.15</b>	<b>95.10</b>	<b>96.50</b>
3-Day	Bismarck	88.42	84.35	84.54
	Fargo	91.10	88.34	83.71
	Grand Forks	88.56	89.87	85.88
	Minot	86.33	87.03	77.09
	National	92.34	91.65	87.77
	<b>Target</b>	<b>92.85</b>	<b>95.00</b>	<b>95.25</b>

Source: EDW and Postal Service blue pages.

Our analysis of Priority Mail performance scores revealed that, of the four North Dakota sites, only Bismarck exceeded targets for 3-Day Surface in FY 2014 and 3-Day Air in FY 2013 (see [Table 3](#)).

20 Green numbers indicate quarters in which the site met or exceeded the national target and red numbers indicate quarters where targets were not met.

**Table 3. Priority Mail Performance Scores FYs 2013 and 2014**

Standard	Plant	FY 2013	FY 2014	Standard	Plant	FY 2013	FY 2014 <sup>20</sup>
<b>1-Day Surface</b>	Bismarck	■	■	<b>2-Day AIR</b>	Bismarck	■	■
	Fargo	■	■		Fargo	■	■
	Grand Forks	■	■		Grand Forks	■	■
	Minot	■	■		Minot	■	■
	National	90.21	88.95		National	90.32	84.61
	Target	96.15			Target	93.20	
<b>2-Day Surface</b>	Bismarck	■	■	<b>3-Day AIR</b>	Bismarck	■	■
	Fargo	■	■		Fargo	■	■
	Grand Forks	■	■		Grand Forks	■	■
	Minot	■	■		Minot	■	■
	National	94.02	90.89		National	96.87	86.77
	Target	96.15			Target	93.20	
<b>3-Day Surface</b>	Bismarck	■	■				
	Fargo	■	■				
	Grand Forks	■	■				
	Minot	■	■				
	National	94.74	95.56				
	Target	96.15					

Source: EDW and the Postal Service.

21 Green numbers indicate quarters in which the site met or exceeded the national target and red numbers indicate quarters where targets were not met.

## Management Actions

Population growth resulting from the oil boom in the Bakken region has been a major challenge for the entire state of North Dakota. The Postal Service and other state, federal, and private entities have struggled to meet demands fueled by growth in this region. We recognize the efforts of Postal Service management to address these challenges and improve conditions in North Dakota. Examples of management actions taken are:

- Visiting communities to see the issues first hand.
- Using overtime to address staffing shortages.
- Adding 40 additional rural routes since 2011.
- Detailing employees from outside the region.
- Establishing hiring coordinators and adding a recruiter.
- Hiring additional employees, including permanent career staff.
- Adding a retail unit (Badlands) in Williston and additional retail outlets in the state.
- Installing Self-Service Kiosks<sup>22</sup> and Mobile Point-of-Sale devices.
- Adding PO Boxes and parcel lockers to improve WTIL and customer access.
- Modifying wages from the National Rural Letter Carriers' Association agreement to compete with the local wage market.
- Meeting with employees, congressional staff, and Customer Advisory Councils.
- Installing automated processing equipment at the Bismarck P&DC.
- Allocating automated mail processing equipment for Fargo.
- Negotiating transportation and space modifications.
- Revising public websites to improve customers' experience locating and understanding service standards and performance results.
- Reassessing space and future needs for all facilities in the Bakken region.

We are basing our recommendations on the population growth and related trends that occurred in North Dakota between FY 2011 and FY 2014.

---

<sup>22</sup> Self-Service Kiosks allow customers to access retail Postal Services such as purchasing books of first-class stamps or mailing packages through a machine similar to an automated teller machine.

# Recommendations

***We recommend management install additional mail processing equipment, consolidate Fargo operations, develop a contingency plan to address staffing levels during periods of economic growth or retraction and ensure accurate postings of box up-times.***

***We also recommend management modify the transportation network.***

We recommend the district manager, Dakotas District:

1. Install additional mail processing equipment at the Bismarck and Fargo Processing and Distribution Centers.
2. Consolidate all Fargo Processing and Distribution Center mail processing operations in one location, as space allows.
3. Develop a contingency plan to address staffing levels during periods of rapid economic growth or retraction.
4. Ensure Post Office Box Service up-times are accurately posted throughout the district.

We also recommend the vice president, Network Operations:

5. Modify the transportation network [REDACTED]

## Management's Comments

Management agreed with our findings and recommendations.

In response to recommendation 1, district officials agreed with the need for additional mail processing equipment at the two facilities in Fargo and Bismarck. In September 2014, they installed two additional pieces of mail processing equipment in the Bismarck P&DC and plan to install an additional piece of mail processing equipment in the Fargo P&DC. The target implementation date is June 2016.

In response to recommendation 2, district officials agreed with the need for additional processing space in the Fargo P&DC. They have initiated a study to find a new facility in Fargo to allow all processing operations to be housed under one roof. The target implementation date is June 2016.

In response to recommendation 3, district officials agreed to develop a contingency plan to address staffing levels. Officials stated that canvassing and hiring in all areas of the district is a priority for both the human resources department and for the newly hired recruiter. This effort is currently in place and will be ongoing.

In response to recommendation 4, district officials agreed that Post Office Box Service up-times were not accurate. The recent PostPlan and transportation changes did not allow facilities to keep up with the changing Post Office Box Service up-times, and they have taken action to correct the errors. The target implementation date is March 31, 2015.

In response to recommendation 5, the vice president, Network Operations agreed to modify the transportation network. The target implementation date is September 2015.

See [Appendix D](#) for management's comments, in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

The OIG considers recommendations 1 and 3 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

# Appendices

*Click on the appendix title  
to the right to navigate to  
the section content.*

Appendix A: Additional Information .....	19
Background .....	19
Operational Analysis.....	20
Objective, Scope, and Methodology.....	21
Prior Audit Coverage .....	21
Appendix B: Summary List of Constituent Concerns .....	22
Appendix C: Carrier Staffing Analyses.....	23
Appendix D: Management’s Comments .....	27

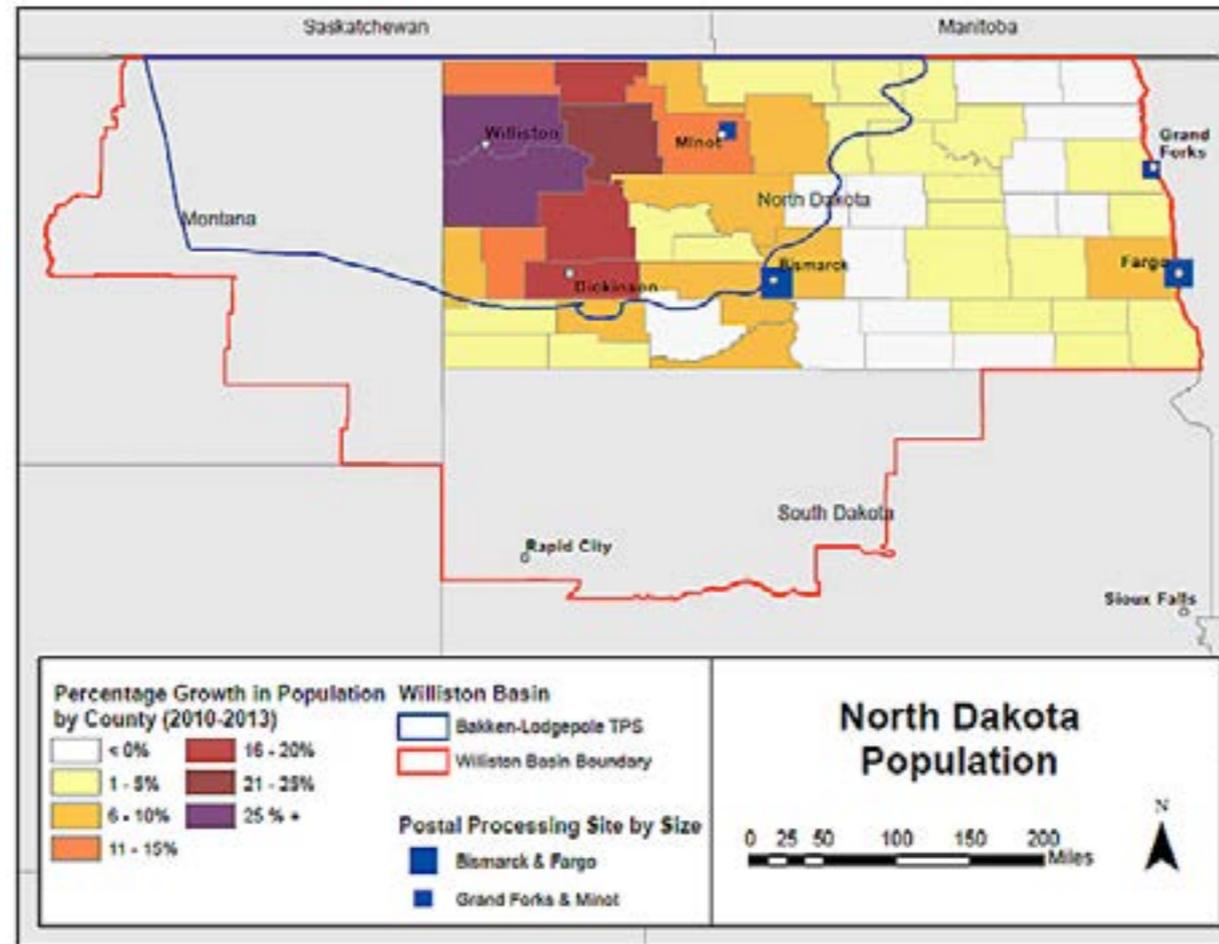
## Appendix A: Additional Information

### Background

North Dakota has become one of the few places in the world that produces more than a million barrels of oil per day, due to the rich Bakken Shale formation beneath the western part of the state (see Figure 5). The U.S. Census Bureau estimates the population of North Dakota has increased by 7.6 percent since the 2010 Census, with some counties in the Bakken region experiencing 20 percent or greater population growth.

This population growth has been a major challenge for the entire state. The Postal Service, along with police departments, health care services, schools, roads, and other public services, has struggled to keep up with the increasing demand for services in the Bakken region. The Postal Service in North Dakota has four mail processing sites that sort and distribute mail for 333 post offices.

**Figure 5. North Dakota Population Growth and Postal Processing Sites**



Source: U.S. Census Bureau.

The growth trends in North Dakota and cities building entire economies around the oil industry have slowed dramatically. The price of crude oil started declining in November 2014, when it dropped below \$80 per barrel. As of February 20, 2015, the price is down to \$50 per barrel. The drop in crude oil prices has eliminated thousands of oil-related jobs as firms respond to the plunge in oil prices. The number of rigs drilling new oil wells in North Dakota dropped from 187 this time last year to 161 in January 2015 – the lowest level in 5 years, with predictions of reducing that to 50 rigs by June 2015.

In January 2014, Senator Heitkamp launched an online initiative (Fix My Mail) to learn about the challenges and problems of her constituents regarding postal services in North Dakota. The senator asked the OIG to review issues the initiative identified to improve service. Senator Heitkamp also asked the Postal Service and the Government Accountability Office to review the same issues.

To address the senator’s concerns, we reviewed mail processing and transportation operations in Bismarck, Fargo, Grand Forks, and Minot. We observed delivery and retail operations at Bismarck, Devils Lake, Dickinson, Fargo, Grand Forks, Minot, Stanley, and Williston. We also reviewed delivery and retail statistics for select offices across the state as shown in the operational analyses in Tables 4 and 5.

### Operational Analysis

Each PO Box unit has a scheduled box up-time for mail to be finalized and available to customers. Box up-times are required to be posted in the retail lobby to inform customers of the time their mail is available in their PO Box for pick-up. See Table 4 for box up-times for nine units in the Bakken region between FYs 2010 and 2014.

**Table 4. Box Up-Time Changes<sup>23</sup>**

Facility Name	Zip Code	2010	2011	2012	2013	2014
FARGO PRAIRIEWOOD STATION	58103	8:30 AM	10:30 AM	10:30 AM	11:00 AM	12:00 PM
GRAND FORKS PO	58201	9:00 AM				
DEVILS LAKE PO	58301	9:15 AM	9:15 AM	9:15 AM	9:45 AM	9:45 AM
BISMARCK PO	58501	8:30 AM	9:00 AM	9:00 AM	9:00 AM	9:00 AM
DICKINSON PO	58601	10:30 AM	11:45 AM	11:45 AM	11:45 AM	11:45 AM
MINOT PO	58701	9:30 AM	10:30 AM	10:30 AM	10:30 AM	12:00 PM
STANLEY PO	58784	11:30 AM	11:30 AM	11:30 AM	12:30 PM	12:30 PM
WILLISTON PO	58801	12:00 PM				
WATFORD CITY PO	58854	1:00 PM	1:30 PM	1:30 PM	1:30 PM	1:30 PM

Source: Postal Service.

<sup>23</sup> Yellow highlighted numbers reflect times changed for PO Box Service from the previous year.

**Table 5. Bakken Region Delivery Points and Packages Delivered**

Delivery Type	FY 2011	FY 2012	FY 2013	FY 2014	FY 2011 to FY 2014 Percentage Change	FY 2011 to FY 2014 National Percentage Change
City Delivery	56,590	57,930	58,448	59,454	5%	1%
Rural Delivery	42,311	45,877	49,009	53,860	27%	4%
PO Box	35,288	38,233	38,592	38,860	10%	-9%
Highway Contract Route	14,621	15,462	16,165	17,492	20%	5%
<b>Total Delivery Points</b>	<b>148,810</b>	<b>157,502</b>	<b>162,214</b>	<b>169,666</b>	<b>14%</b>	<b>1%</b>
<b>Total Packages Delivered</b>	<b>1,427,254</b>	<b>2,440,423</b>	<b>2,740,231</b>	<b>3,775,604</b>	<b>165%</b>	<b>21%</b>

Source: eFlash.

### Objective, Scope, and Methodology

Our objective was to assess selected Postal Service operations in North Dakota. To accomplish our objective, we observed mail processing, transportation, delivery, and retail operations at select locations and interviewed Postal Service officials. We also analyzed key operational impacts to service, such as increases in population, delivery points, overtime, and package volumes; declines in delayed mail; and employee complement. Additionally, we discussed constituent concerns with congressional staff.

We relied on data obtained from Postal Service blue pages and operational systems, including the EDW, eFlash, MCRS, and Variance programs. We assessed the reliability of data by confirming our results with management and determined that the data were sufficiently reliable for the purposes of this report.

We conducted this performance audit from May 2014 through March 2015, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on February 2, 2015, and included their comments where appropriate.

### Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit.

## Appendix B: Summary List of Constituent Concerns

### SERVICE

#### Retail Services:

1. Lobbies in disarray
2. Long wait times in line
3. Insufficient mail acceptance options
4. Late PO Box Service times
5. Unaccommodating window hours
6. Retail units closed contrary to posted hours
7. Altering business hours
8. Inadequate staffing
9. Out of postal supplies
10. Unprofessional employees, unfriendly atmosphere

#### Delivery Services:

11. Misdelayed mail
12. Erratic mail delivery
13. No mail deliveries for days at a time
14. Damaged mail stuffed in mailboxes
15. Mail left in unsecured areas
16. Carriers not attempting deliveries at the door
17. Carriers not picking up outgoing mail from mailboxes
18. Unpredictable third-party rural deliveries
19. Outgoing collection mail misses dispatch
20. Large volumes of curtailed mail at units
21. Insufficient cluster box units and parcel lockers

#### Applicable to Retail and Delivery Services or Other:

22. Mail delays
23. Hold mail and forwarding requests not followed
24. Mail returned for no reason
25. Address management not up to date
26. Collection boxes removed
27. Inaccurate online tracking
28. Complaints get no response/action
29. Telephone calls are ignored
30. Work flow and data manipulation
31. Distrust with Postal Service brand
32. Service standard downgrades
33. Consolidations negatively impacting service
34. Late mail arrival at the processing plants
35. Mail processed on antiquated sorting machines

### WORKING CONDITIONS

1. Untenable work
2. Constant physical strain
3. Mandatory overtime
4. Consistent 12-hour workdays
5. No flexibility in schedules
6. Breaks not taken to get work done
7. Not paid for work performed
8. Delivering mail after dark
9. Delivering mail on hazardous roads
10. Poor employee morale
11. Uncomfortable reporting harassment
12. Crossing crafts against union agreements
13. Frustration over details' extra benefits
14. Hostile work environment
15. Unsupported work-life balance
16. Autocratic leadership
17. Micro-management
18. Lack of management accountability
19. Reactive approach to improve conditions

### STAFFING

1. Insufficient staffing
2. Ineffective hiring strategies
3. Non-competitive wages
4. High turnover rate
5. Temporary hires, instead of career
6. Detailing instead of promoting from within
7. Management inconsistencies
8. Applicant testing difficulties & waived tests

### COMMUNICATION

1. Ineffective employee feedback process
2. Poor employee-management communication
3. No protection from retribution

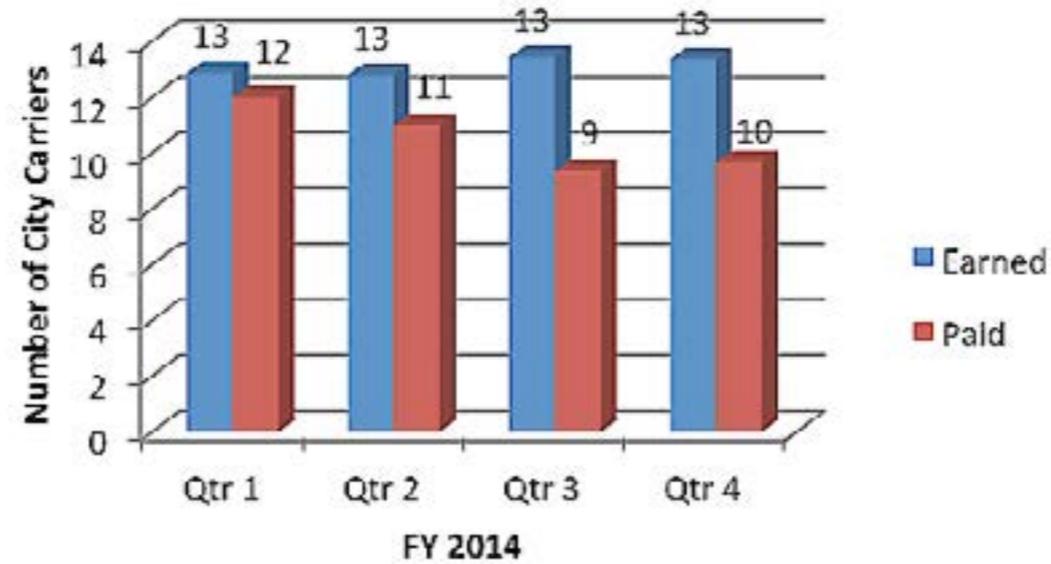
### TRAINING

1. Inadequate training of new employees
2. Unstructured training program
3. New employee frustration

## Appendix C: Carrier Staffing Analyses

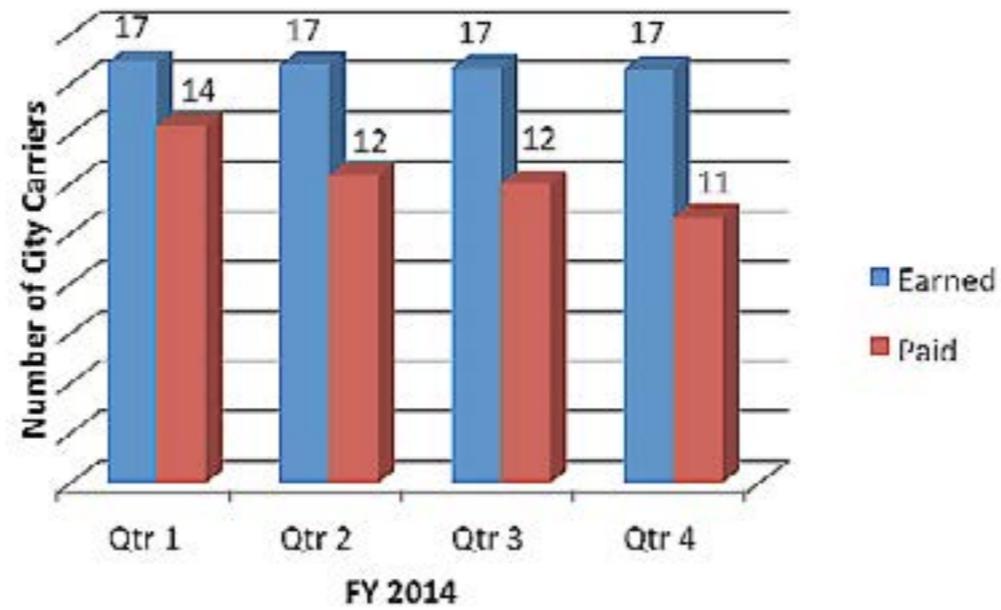
We performed city and rural carrier staff analysis by comparing the number of earned positions to the number of paid carriers. Earned city carrier positions refers to the number of employees allocated to a facility based on workhours, productivity, workload, routes, and delivery analysis using standardized productivity targets and performance trends. Paid city and rural carriers are the number of actual carriers in the EDW's *On Rolls and Paid Employees Statistics* report. City and rural carrier staffing analyses are presented in the following graphs.

**Figure 6. Dickinson PO – City Carriers**



Source: EDW and City Delivery Variance.

**Figure 7. Williston PO – City Carriers**

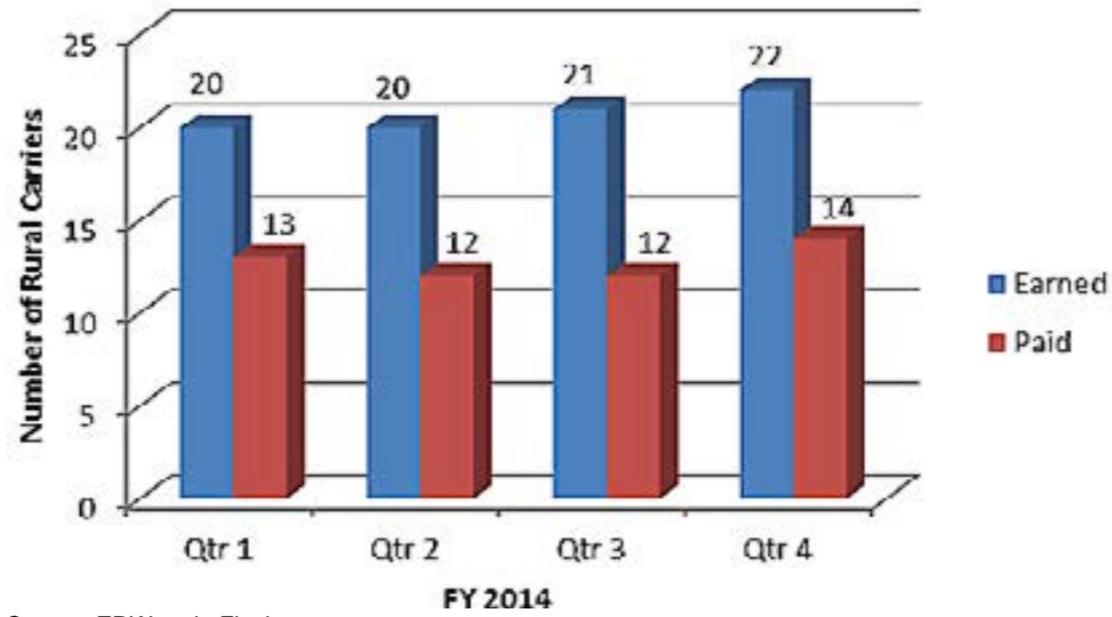


Source: EDW and City Delivery Variance.

Earned rural carrier positions were calculated as two positions for each rural route – one regular carrier and one carrier assistant or replacement; however, due to hiring difficulties in North Dakota, the district implemented an alternative replacement carrier staffing formula<sup>24</sup> that allows replacement carriers to be assigned to more than one regular route by staggering regular carrier routes on non-scheduled days.

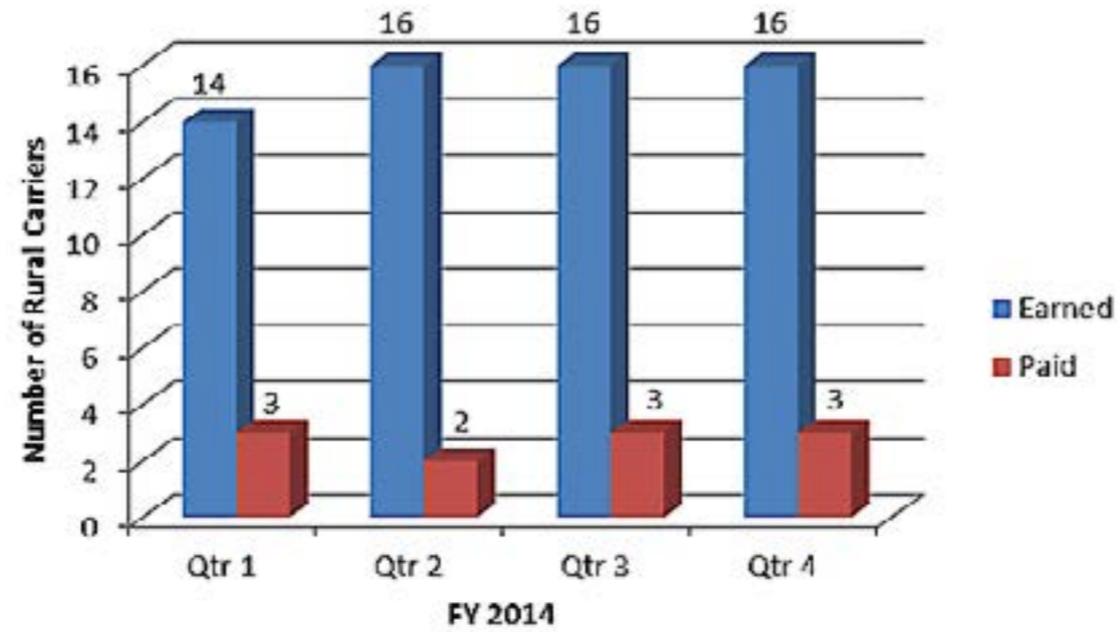
<sup>24</sup> The formula is described in detail in Handbook EI-902-A, *Agreement between the USPS and the National Rural Letter Carriers' Association*, Section 2.C.5.b. The formula is not intended to be a permanent staffing alternative and should be phased out as management continues to hire the staff needed to return all regular rural routes to their Saturday relief day.

**Figure 8. Dickinson PO – Rural Carriers**



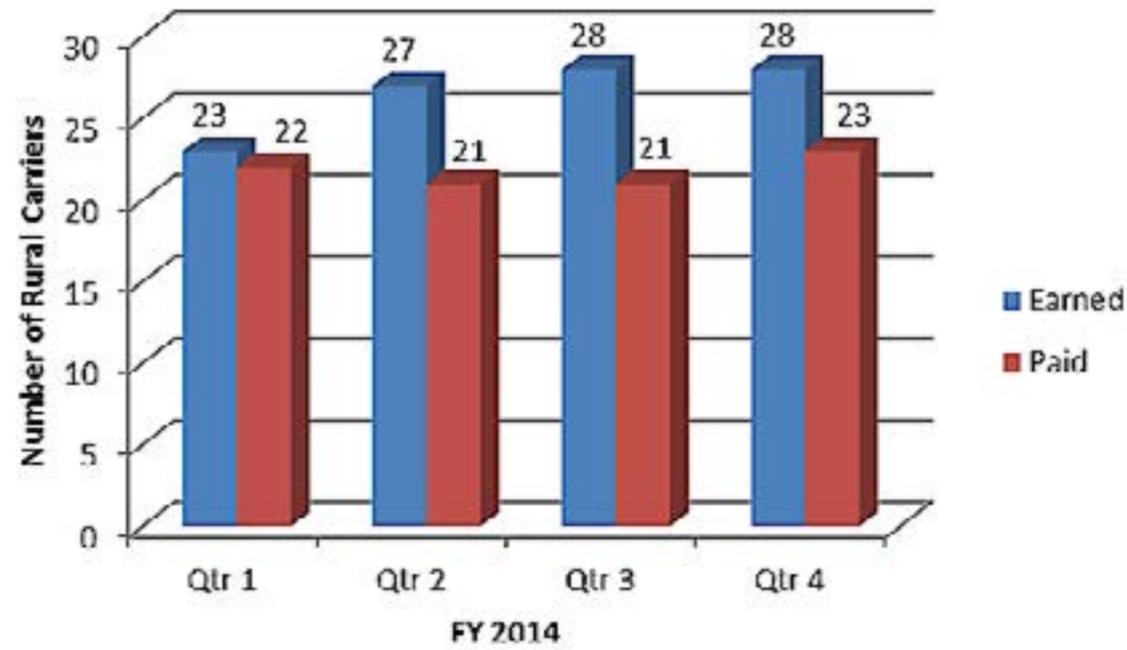
Source: EDW and eFlash.

**Figure 9. Williston PO – Rural Carriers**



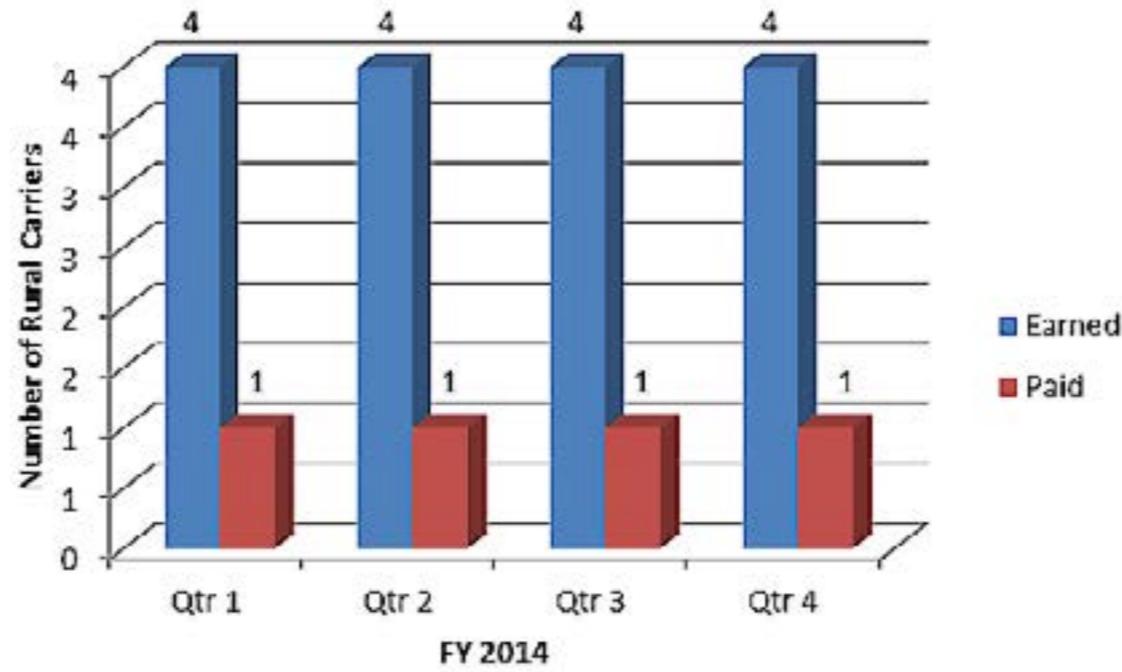
Source: EDW and eFlash.

Figure 10. Minot PO – Rural Carriers



Source: EDW and eFlash.

Figure 11. Stanley PO – Rural Carriers



Source: EDW and eFlash.

## Appendix D: Management's Comments



March 25, 2015

LUCINE WILLIS  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: North Dakota Postal Service Operations (Report Number DR-AR-15-DRAFT)

Thank you for providing the Postal Service an opportunity to review and comment on the subject draft report.

Management agrees with the recommendations and offers the following responses:

Recommendation 1

Install additional mail processing equipment at the Bismarck and Fargo Processing and Distribution Centers.

Management Response/Action Plan:

Prior to the audit, mail processing equipment had been earmarked for these two facilities. In September of 2014, we installed an AFSM and an APBS machine to sort flats, parcels and bundles in the Bismarck plant. An APBS is scheduled to be installed by June of 2016 in the Fargo plant after the move to the new facility.

Target Implementation Date:

September 2014 for Bismarck (complete)  
June 2016 for Fargo

Responsible Official:  
Darrell Stoke, District Manager

Recommendation 2

Consolidate all Fargo Processing and Distribution Center mail processing operations in one location, as space allows.

475 L'Enfant Plaza SW  
Washington DC 20000

Management Response/Action Plan:

Prior to the audit, a study was initiated to find a new facility in Fargo that could house all of the parcel operations and flats operations under one roof, and allow for the addition of an APBS to be installed to improve the parcel and bundle sorting operations. This is currently in the process.

Target Implementation Date:

June 2016

Responsible Official:

Darrell Stoke, District Manager

Recommendation 3

Develop a contingency plan to address staffing levels during periods of rapid economic growth or retraction.

Management Response/Action Plan:

Canvassing and hiring in all areas of the District have been, and will continue to be and be ongoing. This activity is a priority for both District HR departments and the new recruiting position.

Target Implementation Date:

Current and ongoing

Responsible Official:

Robert Clarkson, Manager HR

Recommendation 4

Ensure Post Office Box Service up-times are accurately posted throughout the district.

Management Response/Action Plan:

With all of the PostPlan and transportation changes currently under way, some facilities were not keeping up with the changing of posted PO Box up times in conjunction with the changes made in their FDB profiles. This has been addressed and a certification requiring appropriate field updates has been established. Completion of this certification is require for the all offices in the Dakota district and is set to be completed March 31, 2015.

Target Implementation Date:

March 31, 2015

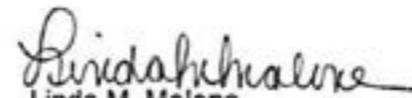
Responsible Official:  
Janell Cassaw, District MOPS

Recommendation 5

Management agrees with this recommendation.

Target Implementation Date:  
September 2015

Responsible Official:  
Mary Taylor, Manager, Logistics

  
Linda M. Malone  
Vice President, Network Operations

  
for Darrell Stoke  
District Manager, Dakotas District

cc: Corporate Audit and Response Management  
Drew Aliperto, Vice President Area Operations



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

Contact us via our [Hotline](#) and [FOIA](#) forms, follow us on social networks, or call our Hotline at 1-888-877-7644 to report fraud, waste or abuse. Stay informed.

1735 North Lynn Street  
Arlington, VA 22209-2020  
(703) 248-2100